

Schedule D -- SCHEDULE OF CREDITS

1. Gross Premiums tax credit (cannot exceed Schedule C, Line 8)	(1)		
2. Insurance Company reduction (percentage of Schedule C, Line 8, less Schedule D, Line 1)	(2)		
3. Tennessee Income Tax (cannot exceed Schedule B, Line 5)	(3)		
4. Day Care Credit from Schedule W, Line 18/LIHTC from Schedule Y, Line 3	(4)		
5. Industrial Machinery Credit from Schedule T, Line 11	(5)		
6. Jobs Tax Credit from Schedule X, Line 27	(6)		
7. Total Credit - Add lines 1 through 6 (Enter here and on Schedule C, Line 9)	(7)		

Schedule E -- SCHEDULE OF PAYMENTS

1. Overpayment from previous year if available	(1)		
2. First quarterly estimated payment	(2)		
3. Second quarterly estimated payment	(3)		
4. Third quarterly estimated payment	(4)		
5. Fourth quarterly estimated payment	(5)		
6. Extension payment	(6)		
7. Total payments - Add lines 1 through 6 (Enter here and on Schedule C, Line 11)	(7)		

COMPUTATION OF FRANCHISE TAX

Schedule F -- NET WORTH

1. Net Worth (total assets less total liabilities; deduct Treasury Stock)	(1)		
2. Indebtedness to or guaranteed by parent or affiliated corporation	(2)		
3. Deduct: Interest in another taxpayer doing business in Tennessee (Attach schedule)	(3)	()
4. Total lines 1 and 2 less Line 3	(4)		
5. Ratio (Schedules N, O, P, R, or S if applicable or 100%)	(5)		%
6. Total - Line 4 multiplied by Line 5 (Enter here and on Schedule A, Line 1)	(6)		

Schedule G - DETERMINATION OF REAL AND TANGIBLE PROPERTY

BOOK VALUE OF PROPERTY OWNED - Cost less accumulated depreciation			In Tennessee
1. Land	(1)		
2. Buildings, leaseholds, and improvements	(2)		
3. Machinery, equipment, furniture, and fixtures	(3)		
4. Automobiles and trucks	(4)		
5. Prepaid supplies and other tangible personal property (Attach schedule)	(5)		
6. Share of partnership real and tangible property provided that the partnership does not file a return (Attach schedule)	(6)		
7. Inventories and work in progress	(7)		
a. Deduct exempt inventory in excess of \$30 million (§67-4-2108(a)(6))	(7a)	()
8. Deduct value of certified pollution control equipment (Include copy of certificate (§67-5-604))	(8)	()
9. SUBTOTALS - Add lines 1 through 7, less Line 7a and Line 8	(9)		
Rental Value of Property Used but not Owned			(C)
Net Annual Rental Paid for:			
10. Real property	(A)	(B)	
	In Tennessee		
11. Machinery & equipment used in manufacturing & processing		x8	(10)
12. Furniture, office machinery, and equipment		x3	(11)
13. Delivery or mobile equipment		x2	(12)
14. TENNESSEE TOTAL - Add lines 9-13 (Enter total here and on Schedule A, Line 2)		x1	(13)
			(14)

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
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Schedule H - Gross Receipts

1. Total receipts from whatever source derived before any deductions but not including actual sales returns and allowances.. (1)

Schedule I - FEDERAL INCOME REVISIONS

Have you had federal income revisions that have not been previously reported? _____
 If you answered yes, complete schedule below. Where columns 3 and 4 are not the same, a schedule of reconciliation must be submitted.

Year	1. Original Net Income on Federal Return	2. Net Income Corrected	3. Increase (Decrease) in Net Income	4. Increase (Decrease) Affecting Excise Tax

COMPUTATION OF EXCISE TAX

NOTE: The starting point for determining "net earnings" subject to the excise tax is contained in schedules J-1 through J-3. A taxpayer enters on Line 1, Schedule J, its federal income (loss) from only one of schedules J-1 through J-3. Adjustments to Line 1, the starting point of the excise tax, are made on lines 2 to 24 on Schedule J.

Schedule J-1 -- COMPUTATION OF NET EARNINGS FOR ENTITIES TREATED AS PARTNERSHIPS

1. Ordinary Income or Loss from Federal Form 1065, Line 22	(1)	
Additions:		
2. Additional income items specifically allocated to partners, including guaranteed payments to partners (Fed 1065 - Sch K)	(2)	
3. Total - Add lines 1 and 2	(3)	
Deductions:		
4. Additional expense items specifically allocated to partners (Fed 1065 -Sch K)	(4)	
5. Amount subject to self-employment taxes distributable or paid to each partner or member net of medical insurance payments previously deducted to determine Ordinary Income (Loss) on Form 1065 (cannot increase any net loss)	(5)	
6. Amount of contribution, not previously deducted, to qualified pension or benefit plans of any partner or member, including all IRC 401 plans (cannot increase any net loss)	(6)	
7. Total deductions - Add lines 4 through 6	(7)	
8. Total - Line 3 less Line 7 (Enter here and on Schedule J, Line 1)	(8)	

Schedule J-2 -- COMPUTATION OF NET EARNINGS FOR A SINGLE MEMBER LLC FILING AS AN INDIVIDUAL

Additions:		
1. Business Income from Form 1040, Schedule C	(1)	
2. Business Income from Form 1040, Schedule D	(2)	
3. Business Income from Form 1040, Schedule E	(3)	
4. Business Income from Form 1040, Schedule F	(4)	
5. Business Income from Form 4797	(5)	
6. Other: Form _____, Schedule _____	(6)	
7. Total - Add lines 1 through 6	(7)	
Deductions:		
8. Amount subject to self-employment taxes distributable or paid to the single member (cannot increase any net loss)	(8)	
9. Total - Line 7 less Line 8 (Enter here and on Schedule J, Line 1)	(9)	

Schedule J-3 -- COMPUTATION OF NET EARNINGS FOR ENTITIES TREATED AS CORPORATIONS AND "OTHER" ENTITIES

Enter the amount of income(loss) from the applicable federal return to Schedule J, Line 1

1. Federal Form 1120 - Line 28 (Taxable income or loss before net operating loss deduction and special deductions)	(1)	
2. Federal Form 1120S - Line 21 (Ordinary income or loss from trade or business activities)	(2)	
3. Federal Form 990-T, Line 30 (unrelated business taxable income)	(3)	
4. Other: Form _____, Schedule _____	(4)	

Schedule J - COMPUTATION OF NET EARNINGS SUBJECT TO EXCISE TAX

1.	Federal income or loss (Enter amount from Schedule J-1, J-2, or J-3)	(1)	
ADDITIONS:			
2.	Income items to extent includable in federal income were it not for "S" status election (Fed 1120S - Schedule K)	(2)	
3.	Any net loss or expense received from a "pass-through" entity subject to and paying the excise tax, or any net loss or expense distributed to a REIT subject to and paying the excise tax (include schedule of entities and FEINs)	(3)	
4.	Any gain on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a partnership, S corporation or business trust to a member, partner, shareholder, or certificate holder	(4)	
5.	Tennessee excise tax expense (to the extent reported for federal purposes)	(5)	
6.	Gross premiums tax deducted in determining federal income and used as an excise tax credit	(6)	
7.	Interest income on obligations of states and their political subdivisions, less allowable amortization	(7)	
8.	Depletion not based on actual recovery of cost	(8)	
9.	Contribution carryover from prior period(s)	(9)	
10.	Capital gains offset by capital loss carryover or carryback	(10)	
11.	Excess fair market value over book value of property donated	(11)	
12.	Any expense or depreciation deducted for federal tax purposes solely as a result of "safe harbor" lease elections	(12)	
13.	Total additions - Add lines 2 through 12	(13)	
DEDUCTIONS:			
14.	Expense items to extent includable in federal expenses were it not for "S" status election (Fed 1120S - Schedule K)	(14)	
15.	Any net gain or income received from a "pass-through" entity subject to and paying the excise tax, or any net gain or income distributed to a REIT subject to and paying the excise tax (include schedule of entities and FEINs)	(15)	
16.	Any loss on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a partnership, S corporation or business trust to a member, partner, shareholder, or certificate holder	(16)	
17.	Dividends received from corporations, at least 80% owned (attach schedule)	(17)	
18.	Contributions in excess of amount allowed by federal government	(18)	
19.	Portion of current year's capital loss not included in federal taxable income	(19)	
20.	Any expense other than income taxes, not deducted in determining federal taxable income for which a credit against the federal income tax is allowable	(20)	
21.	Any income included for federal tax purposes solely as a result of "safe harbor" lease election(s)	(21)	
22.	Any depreciation or other expense which could have been deducted for federal tax purposes had it not been for "safe harbor" lease election(s)	(22)	
23.	Nonbusiness earnings - Schedule M, Line 8	(23)	
24.	TOTAL deductions - Add lines 14 through 23	(24)	()
COMPUTATION OF TAXABLE INCOME:			
25.	Total Business Income (Loss) - Add lines 1 and 13, less Line 24 (If loss, complete Schedule K)	(25)	
26.	Apportionment Ratio (Schedules N, O, P, R, or S if applicable or 100%)	(26)	%
27.	Apportioned business income (Loss) (Line 25 multiplied by Line 26)	(27)	
28.	Add: Nonbusiness earnings directly allocated to Tennessee (From Schedule M, Line 9)	(28)	
29.	Deduct: Loss carryover from prior years (From Schedule U)	(29)	()
30.	Subject to excise tax (6%) (Line 27 plus Line 28, less Line 29) (enter here and on Schedule B, Line 4)	(30)	

Schedule K - DETERMINATION OF LOSS CARRYOVER AVAILABLE -See Rule 1320-6-1-.21 of Departmental Rules and Regulations

1.	Net loss from Schedule J, Line 25	(1)	
ADD:			
2.	Amounts reported on Schedule J, lines 17 and 23	(2)	
3.	Amounts reported on Schedule J-1, lines 5 and 6, and Schedule J-2, Line 8	(3)	
4.	Reduced loss - Add lines 1 through 3 (if net amount is positive, enter "0")	(4)	
5.	Excise Tax ratio (Schedules N, O, P, R, or S if applicable or 100%)	(5)	%
6.	Current year loss carryover available (Line 4 multiplied by Line 5)	(6)	

INSTRUCTIONS FOR COMPLETING FRANCHISE, EXCISE TAX RETURN

In the top portion of the front page of the tax return, several items are to be reported by the taxpayer. The taxpayer should put the taxable year (the beginning and ending period of the return being filed). The period covered must coincide with the federal return. A return can cover a 52/53-week-filing period, but can not otherwise exceed twelve (12) months. Also, please provide the date Tennessee operations began in the appropriate box.

The account number should also be provided, along with the entity's FEIN or SSN (in the case of a single member LLC filing as an individual). If the entity is inactive in Tennessee, please check the appropriate box.

If you are filing an amended or final return, please check the appropriate boxes. If the return is marked final, please include a schedule of liquidation, distribution, or disposition of all assets.

Please check the appropriate block(s), which pertain to your entity's structure. Single member LLCs that elect to file as an individual or corporation for federal purposes must file a Franchise & Excise based on this same filing status. Corporate owned single member LLCs that elect to file as a 'Division of Parent' for federal purposes are also included in the 'Parent's' Franchise, Excise tax return. In this case, the single member LLC must file an Application of Registration with the Department, in order to establish a 'Division of Parent' filing relationship. If none of these blocks applies to your entity, please check 'Other' and provide a description of the type of entity.

Schedule A – Franchise Tax

Line 1 Amount as calculated on Schedule F, Line 6, Page 2.
Line 2 Amount as calculated on Schedule G, Line 14, Page 2.
Line 3 Multiply the greater of Line 1 or 2 by \$0.25 per \$100. The minimum tax is \$100. If the return covers a period of less than twelve (12) months, the tax should be prorated to cover the period of the return. The minimum tax of \$100 cannot be prorated.

Schedule B – Excise Tax

Line 4 Amount as calculated on Page 4, Schedule J, Line 30.
Line 5 Multiply amount on Line 4 by 6%. If line 4 is a loss, enter "0".
Line 6 Amount as calculated in Schedule T, Part 2. Please note that if there is an amount here, it is due even if the Excise Tax, as calculated on Line 5, is zero.
Line 7 Net Excise Tax due. Add Line 5 and Line 6.

Schedule C – Computation of Total Tax Due or Overpayment

Line 8 Total Franchise, Excise Taxes. Add Schedule A, Line 3, and Schedule B, Line 7.
Line 9 Deduct the total available credits from Schedule D, Line 7; however, this amount cannot exceed Schedule C, Line 8.
Line 10 Subtotal of Franchise, Excise Taxes due; deduct Schedule C, Line 9 from Line 8. Note: On Schedule C, Line 9 cannot exceed Line 8.
Line 11 Deduct total payments reported on Schedule E, Line 7.
Line 12 Penalty is calculated at a rate of 5% for each 30-day period that a return is delinquent to a maximum of 25% of delinquent tax. The minimum penalty is \$15 for delinquent filing of a return. Any portion of a 30-day period that a return is delinquent is treated as a full 30 days.
Line 13 Interest is due on any amount of tax that is paid after the statutory due date of the return. The interest rate is determined in accordance with T.C.A. 67-1-801.
Line 14 Penalty on Estimated Franchise and Excise Tax payments is calculated at a rate of 5% per 30-day period to a maximum of 25% of the deficient or delinquent amount. It is calculated from the due date of the estimated payment through the date paid or the due date of the return, whichever is earlier.
Line 15 Interest is calculated on Estimated Franchise and Excise Tax payments on any deficient or delinquent amount of the payment. The rate of interest is the same as determined on Line 13. It is calculated from the due date of the estimated payment through the date paid or the due date of the return, whichever is earlier.
Line 16 Total amount due (overpayment). Add Schedule C, Lines 10, 12, 13, 14 & 15, less Line 11. If an overpayment exists on this line, enter the amount to be credited to the next year in block A and/or to be refunded in block B.

Schedule D – Schedule of Credits

NOTE: Credits should be computed in the order provided in Schedule D. In the event multiple credits are available to the taxpayer, a worksheet is available to report the amount of each credit to be applied to each tax, and the resulting amount of carryover of each credit.

Line 1 Enter amount of gross premium tax paid to Department of Commerce and Insurance. The credit cannot exceed Schedule C, Line 8. No carryover is available for any excess gross premium credit.
Line 2 TCA Section 56-4-217 phases out the Tennessee Franchise, Excise Taxes applicable to insurance companies. The Franchise and Excise Taxes remaining after the application of the gross premiums tax credit (Schedule C, Line 8, less Schedule D, Line 1), are reduced by 20% for tax years beginning on or after 12-15-98 but not after 12-14-99; 40% for tax years beginning on or after 12-15-99 but not after 12-14-00; 60% for tax years beginning on or after 12-15-00 but not after 12-14-01; and 80% for tax years beginning on or after 12-15-01 but not after 12-14-02. For tax years beginning on or after 12-15-02, the Franchise and Excise Taxes will not apply to insurance companies.

Line 3 Enter the amount of any Tennessee 'Hall' Income Tax paid for the same period covered by this return. The credit cannot exceed Schedule B, Line 5. No carryover is available for any excess Income Tax credit.
Line 4 Enter the amount from Schedule W, Line 18. Instructions are provided with Schedule W to explain the computation of the Day Care Credit. Include amount of Low Income Housing Tax Credit from Schedule Y, Line 3.
Line 5 Enter the amount from Schedule T, Line 11. Refer to Schedule T for computation.
Line 6 Enter the amount From Schedule X, Line 27. Instructions are provided with Schedule X to explain the computation of the Jobs Tax Credit.
Line 7 Total credits; enter on Schedule C, Line 9.

Schedule E – Schedule of Estimated Franchise and Excise Tax Payment, Overpayment and Extensions

Total these amounts and carry forward to Schedule C, Line 11.

Schedule F – Base of Franchise Tax

NOTE: All amounts in this schedule should be determined in accordance with generally accepted accounting principles (GAAP), however, if the taxpayer does not maintain its books on a GAAP basis, the franchise tax is computed in accordance with the accounting method used by the taxpayer for federal tax purposes, provided this method fairly reflects the taxpayer's activity.

Line 1 Net worth is total assets less total liabilities. Any reserves are included on Line 1 that are not liabilities or proper reduction of asset accounts.
Line 2 Indebtedness is includable by a corporation, which is a subsidiary of another corporation or closely affiliated therewith by stock ownership; however, it does not include indebtedness from individuals. Indebtedness to be included on this line does not include normal credit extended in short-term accounts payable.
Line 3 The value of an interest held in any other taxpayer is deductible provided that they are "doing business" in the state and paying the tax.
Line 4 Add amounts on Lines 1 and 2, deduct Line 3.
Line 5 Apportionment ratio as computed on Schedules N, O, P, R or S. If the entity is not entitled to apportion, enter 100%.
Line 6 Line 4 multiplied by Line 5. Enter this amount on Schedule A, Line 1.

Schedule G – Determination of Real and Tangible Property

Lines 1-5 The amounts on these lines are based on the year-end net book values of the assets on the entity's books and records. All tangible assets are included such as those that might be in "current assets" or "other assets."
Line 6 This amount is calculated by multiplying the taxpayer's percentage of ownership, shown on Fed. Sch. K-1, by the amount of real and tangible property shown on the balance sheet of an entity treated as a partnership for federal tax purposes. Only include property from a partnership on this line if the partnership itself is not subject to file a return.
Line 7 Include all inventory on this line. Deduct exempt inventory on Line 7a. Exempt inventory is any amount in excess of \$30,000,000 of finished goods.
Line 8 This amount is the value of pollution control equipment that has been certified by the Department of Environment and Conservation. A copy of the certificate should be attached to the return.
Line 9 Subtotal. Add Lines 1 through 7, less Line 7a and Line 8.
Lines 10(A) – 13(A) This amount is the total net annual rental paid for property located in Tennessee. Multiply amounts on lines 10(A) through 13(A) by the multiples on Lines 10(B) through 13(B), and enter each total on Lines 10(C) through 13(C). For determination of rental value of property used but not owned, please note that for returns covering a period of less than twelve (12) months, rents must be annualized.
Line 14 Total Tennessee property. Total Lines 9, 10(C) through 13(C) and enter total also on Schedule A, Line 2.

Schedule I – Federal Income Revisions

This schedule is used when a taxpayer has been audited by the Internal Revenue Service and has been issued a Revenue Agent's Report. Please include a copy of the Revenue Agent's Report when completing this schedule. If the Revenue Agent's Report is consolidated, please include a separate company breakdown.

Schedule J-1 Net Earnings for Entities Treated as Partnerships

Line 1 Enter the amount of "ordinary income (loss)" from Federal Form 1065, Line 22, Partnership return.
Line 2 Enter the amount of additional income items "passed-through" to partners or members from Federal Form 1065, Schedule K, Lines 2 through 7. This includes guaranteed payments to partners.
Line 3 Total of Lines 1 and 2.
Line 4 Enter the amount of additional expense items "passed-through" to partners or members from Federal Form 1065, Sch. K, lines 8 through 11, 14a, and 18b.
Line 5 Enter the amount subject to self-employment taxes distributable or paid to each partner or member net of medical insurance payments previously deducted to determine Ordinary Income (Loss) on Form 1065. This amount is not subject to any federal tax percentage limitation or cap; however, this deduction cannot create a loss carryover. This computation is made on Sch K, loss carryover, Page 4.
Line 6 Enter the amount of contribution, not previously deducted, to qualified

pension or benefit plans of any partner or member, including all IRC 401 plans. This deduction cannot create a loss carryover, which is computed on Schedule K, loss carryover, Page 4.

Line 7 Total deductions. Add Lines 4 through 6.

Line 8 Total net earnings (net loss). Deduct Line 7 from Line 3, and enter on Schedule J, Line 1.

Schedule J-2 – Computation of Net Earnings for a Single Member LLC Filing as an Individual

Line 1 Enter the amount of business income (loss) from Federal Form 1040, Schedule C, Line 31.

Line 2 Enter the amount of gain or loss from Federal Form Schedule D that is attributable to assets used by the LLC.

Line 3 Enter the amount of total income or loss attributable to the LLC from Federal Form 1040, Schedule E, Line 40.

Line 4 Enter the amount of net profit or loss attributable to the LLC from Federal Form 1040, Schedule F, Line 36.

Line 5 Enter the amount of gain or loss from Federal Schedule 4797 that is attributable to assets used by the LLC.

Line 6 Enter the amount of any income or loss attributable to the LLC that is reported on any Federal schedules not on Lines 1 through 5 above.

Line 7 Subtotal. Add Lines 1 through 6 and enter that amount.

Line 8 Enter the amount subject to self-employment taxes distributable or paid to the single member. This deduction is not subject to any federal tax percentage limitation or cap; however, it cannot create a loss carryover, which is computed on Schedule K, loss carryover, Page 4.

Line 9 Total net earnings (net loss). Deduct Line 8 from Line 7 and enter on Schedule J, Line 1.

Schedule J-3 – Computation of Net Earnings for Entities Treated as Corporations and “Other” Entities

Line 1 Enter the amount of net earnings (loss) from Line 28, Federal Form 1120. This is the amount of taxable income or loss before the net operating loss deduction and special deductions. Enter this amount on Schedule J, Line 1.

Line 2 Enter the amount of “ordinary” income or loss from trade or business activities from Federal Form 1120S, Line 21. Enter this amount on Schedule J, Line 1.

Line 3 Enter the amount of “unrelated business taxable income” before net operating loss deduction from Federal Form 990-T, Line 30. Enter this amount on Schedule J, Line 1.

Line 4 Enter the amount of net earnings or loss from any entity that reports on a Federal return different from any of the above returns as reported on Lines 1, 2 & 3. Please enter the type of Federal Form and Schedule in the space provided. Enter this amount on Schedule J, Line 1.

Schedule J – Profit and Loss Statement

Line 1 Enter the amount of net earnings or loss reported in either Schedule J-1, J-2, or J-3.

Additions:

Line 2 S Corporation’s “pass-through” income items are required to be added to ordinary income. This amount is to include the total income items as shown on Schedule K of Federal Form 1120S.

Line 3 Enter the amount of any “pass-through” net loss and expense included in the Excise Tax base by the taxpayer. The “pass-through” items are reported to the taxpayer on Federal Schedule K-1. This adjustment is only made if the entity issuing the K-1 is itself subject to the Excise Tax and filing a Franchise, Excise Tax return. This adjustment is to prevent the duplicate recognition of the “pass-through” loss and expense in the Excise Tax base. If an entry is made on this line, please attach a schedule listing the entity/entities for Excise Tax purposes. Also include on this line any net loss or expense distributed to a REIT by a “pass-through” entity on Schedule K-1.

Line 4 Enter the amount of any gain on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a Partnership, S Corporation or Business Trust to a member, partner, shareholder, or certificate holder. This gain is to be reported by the entity that distributed the assets. If an asset was distributed to a member, partner, shareholder or certificate holder and no sale has taken place, or the asset was sold twelve months after distribution, no entry is required.

Line 5 This amount is the Excise Tax that was deducted in determining federal net income. If the event of an overaccrual in the prior year, that causes the current year’s Federal return to report a negative ‘deduction’, this amount can be reported as a deduction.

Line 6 If an insurance company elects to take the gross premium tax paid to the Tennessee Department of Commerce and Insurance as a credit against its Franchise, Excise Taxes, the amount of the gross premiums tax expensed for federal purposes that is used as an excise tax credit must be shown here.

Line 7 This amount is all tax-exempt interest as shown on the books of the taxpayer, net of disallowed interest expense pursuant to 26 U.S.C. Sections 265 and 291. This amount is reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 8 Any percentage depletion deducted for federal tax purposes must be added. This amount is reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 9 Contribution carryovers must be added back to net income when used for federal purposes. This amount is reflected in Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 10 Capital loss carryovers must be added to net income when offset against capital gains for federal tax purposes. This amount is reflected in Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 11 The excess of the fair market value over the book value of property donated must be added to net income. This amount is reflected in Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 12 Any expense or depreciation that was deducted for federal tax purposes solely as a result of a “safe-harbor” lease under Section 168 of the Economic Recovery Tax Act of 1981 must be added to net income.

Line 13 Total additions. Enter the sum of Lines 2 through Line 12.

Deductions:

Line 14 S Corporation’s “pass-through” expense items are to be deducted from ordinary income, this amount is the total expense items as shown on Federal Form 1120S, Schedule K.

Line 15 Enter the amount of any “pass-through” net gain and income included in the Excise Tax base by the taxpayer. The “pass-through” items are reported to the taxpayer on Federal Sched K-1. This adjustment is only made if the entity issuing the K-1 is itself subject to the Excise Tax and filing a Franchise, Excise Tax return. This adjustment is to prevent the duplicate recognition of the gain and income in the Excise Tax base. If an entry is made on this line, please attach a schedule listing the entity/entities and FEIN that are incurring and reporting the gains and income for Excise Tax purposes. Also include on this line any net gain or income distributed to a REIT by a “pass-through” entity on Sch K-1.

Line 16 Enter the amount of any loss on the sale of an asset sold within twelve months after distribution by a taxpayer treated as a partnership, S Corporation or business trust to a member, partner, shareholder, or certificate holder. This loss is to be reported by the entity that distributed the asset. If an asset was distributed to a member, partner, shareholder or certificate holder and no sale has taken place, or the asset was sold twelve months after distribution, no entry is required.

Line 17 This amount is all dividends received from corporations in which the entity owns at least 80% of the corporation’s stock.

Line 18 Contributions may be deducted, in full, the year in which the contributions were made. This amount is reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 19 Capital losses may be deducted, in full, the year the loss was incurred. This amount is reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 20 Any expense incurred, other than income taxes, that was not deducted for federal tax purposes but was used as a credit against federal income tax goes on this line. Most common are federal job credits and ESOP. The expenses are reflected on Federal Schedule M-1, ‘Reconciliation on Income per Books with Income per Return’.

Line 21 Any income included for federal tax purposes solely as a result of a “safe harbor” lease under Section 168 of the Economic Recovery Tax Act of 1981 should be deducted from net income.

Line 22 Any depreciation or other expense which could have been deducted for federal tax purposes had it not been for a “safe harbor” lease under Section 168 of the Economic Recovery Tax Act of 1981 should be deducted from net income.

Line 23 Amount as calculated on Schedule M, Line 8.

Line 24 Total deductions. The sum of Lines 14 through Line 23.

Line 25 Total business income. The sum of Line 1 and 13, less Line 24. If the corporation has a net loss, compute Schedule K.

Line 26 Apportionment ratios as computed on Schedules N, O, P, R, or S. If the entity is not entitled to apportion, enter 100%.

Line 27 Multiply Line 25 by Line 26.

Line 28 Amount as calculated on Schedule M, Line 9.

Line 29 Loss carryover from prior year as shown on Schedule U. Please note that Tennessee loss carryover is computed separately from federal loss carryover.

Line 30 Excise Tax base. The sum of Line 27 and Line 28, less Line 29. Enter this amount on Schedule B, Line 4.

Schedule K – Determination of Loss Carryover Available

Line 1 Net loss as computed on Schedule J, Line 25.

Line 2 Add amounts deducted on Schedule J, Lines 17 and 23.

Line 3 Add amounts deducted on Schedule J-1, Line 5, Self-Employment Tax, and Line 6, Contribution to Pension Plan. Add amount deducted on Schedule J-2, Line 8, Self-Employment Tax.

Line 4 Net reduced loss carryover. The sum of Lines 1 through Line 3. If the net amount is positive, then enter “0”, and no loss carryover is available.

Line 5 Apportionment ratio as computed on Schedules N, O, P, R, or S. If the entity is not entitled to apportion, enter 100%.

Line 6 Current year loss carryover available. Multiply Line 5 by Line 4.



**TENNESSEE DEPARTMENT OF REVENUE
ALLOCATION AND APPORTIONMENT SCHEDULES**

**SCHEDULES M THROUGH S
(FORM FAE 170)**

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
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IMPORTANT: IF YOU USE THIS FORM, ATTACH IT TO YOUR FRANCHISE, EXCISE TAX RETURN.
Allocation and apportionment schedules may be used only by taxpayers doing business outside the state of Tennessee within the meaning of Sections 67-4-2010 and 67-4-2110 Tennessee Code Annotated. The burden is upon the taxpayer to show that the corporation has the right to apportion.

SCHEDULE M - Schedule of Nonbusiness Earnings

Note - If all earnings are business earnings as defined below, do not complete this schedule. Any nonbusiness earnings, less related expenses are subject to direct allocation and should be reported in this schedule.

Definitions: "Business Earnings" means (1) earnings arising from transactions and activity in the regular course of the taxpayer's trade or business or (2) earnings from tangible and intangible property if the acquisition, use, management, or disposition of the property constitutes an integral part of the taxpayer's regular trade or business operations. In essence, earnings which arise from the conduct of the trade or trades or business operations of a taxpayer are business earnings, and the taxpayer must show by clear and cogent evidence that particular earnings are classifiable as nonbusiness earnings. A taxpayer may have more than one regular trade or business in determining whether income is business earnings.

"Nonbusiness Earnings" means all earnings other than business earnings.

Description (If further description is necessary see below)	Gross Amounts	*Less Related Expenses	Net Amounts	Net Amounts Allocated Directly to Tenn.
1. _____				
2. _____				
3. _____				
4. _____				
5. _____				
6. _____				
7. _____				
8. Total nonbusiness earnings (Transfer to Schedule J, Line 23)				XXXXX
9. Nonbusiness earnings allocated directly (Transfer to Schedule J, Line 28)			XXXXX	

If necessary, describe source of nonbusiness earnings and explain why such earnings do not constitute business earnings as defined above. Enumerate these items to correspond with items listed above.

*As a general rule, the allowable deductions for expenses of a taxpayer are related to both business and nonbusiness earnings. Such items as administrative **costs, taxes**, insurance, repairs, maintenance, and depreciation are to be considered. In the absence of evidence to the contrary, it is assumed that the expenses related to nonbusiness rental earnings will be an amount equal to 50 percent of such earnings and that expenses related to other nonbusiness earnings will be an amount equal to 5 percent of such earnings. (See regulation 1320-6-1.23(3))

APPORTIONMENT SCHEDULES FOR TAXPAYERS DOING BUSINESS OUTSIDE THE STATE OF TENNESSEE
Franchise and excise tax ratios are obtained by using the arithmetical average of the following ratios. Any factor with a zero denominator must be eliminated.

SCHEDULE N - APPORTIONMENT - STANDARD (Manufacturers, retailers, wholesalers, etc)

Property	In Tennessee		Total Everywhere	
	a. Beginning of Taxable year	b. End of Taxable year	a. Beginning of Taxable year	b. End of Taxable year
NOTE: USE ORIGINAL COST OF ASSETS				
1. Land, buildings, leaseholds, and improvements				
2. Machinery, equipment, furniture, and fixtures				
3. Automobiles and trucks				
4. Inventories and work in progress				
5. Prepaid supplies and other property				
6. Share of partnership property (if partnership is not taxable)				
7. Excise tax total (Lines 1 through 6)	a.	b.	a.	b.
8. Less exempt inventory (see §67-4-2111(b)(1))	()	()	()	()
9. Franchise tax total (Line 7 minus Line 8)	a.	b.	a.	b.
10. Excise tax average value (add Line 7(a) & (b) divide by 2)				
11. Franchise tax average value (add Line 9(a) & (b) divide by 2)				
12. Add: Rented property (rent paid X 8)				

NOTE: Double Weighted Sales Factor	a. In Tennessee	b. Total Everywhere	d. Franchise Ratio (Col. a ÷ Col. b) x 1	e. Excise Ratio (Col. a ÷ Col. b) x 1
13. Excise Tax property factor (Line 10 plus Line 12)				%
14. Franchise Tax property factor (Line 11 plus Line 12)			%	
15. Payroll factor			%	%
16. Sales factor - (Business Gross Receipts)			%	%
Sales factor - (Business Gross Receipts)			%	%
17. Total Ratios			%	%
18. Apportionment Ratio (Line 17 divided by 4) (Enter Franchise Ratio to Sch. F, Line 5. Enter Excise ratio to Sch. J, Line 26)			%	%

SCHEDULE O - APPORTIONMENT - COMMON CARRIERS (Railroads, motor carriers and pipelines)

	In Tennessee	Total Everywhere	Ratio
1. Total franchise mileage (odometer miles)			%
2. Tennessee intrastate receipts - Interstate gross receipts everywhere			%
3. Total Ratios	XXXXX	XXXXX	%
4. Apportionment ratio (Line 3 divided by two; transfer ratio to Schedule F, Line 5 and Schedule J, Line 26)			%

SCHEDULE P - APPORTIONMENT - AIR CARRIERS

	In Tennessee	Total Everywhere	Ratio
1. Originating revenue			%
2. Airmiles flown (Include in Tennessee column only airmiles flown on flights either originating from or ending in Tennessee or both)			%
3. Total Ratios	XXXXX	XXXXX	%
4. Apportionment Ratio (Line 3 divided by two; transfer ratio to Schedule F, Line 5 and Schedule J, Line 26)			%

SCHEDULE R - APPORTIONMENT - AIR EXPRESS CARRIERS

	In Tennessee	Total Everywhere	Ratio
1. Originating revenue			%
2. Airmiles flown and groundmiles travelled (Include in Tennessee column only airmiles flown on flights either originating from or ending in Tennessee or both. Include only groundmiles travelled with respect to actual common carriage of persons or property for hire)			%
3. Total Ratios	XXXXX	XXXXX	%
4. Apportionment Ratio (Line 3 divided by two; transfer ratio to Schedule F, Line 5 and Schedule J, Line 26)			%

SCHEDULE S - APPORTIONMENT - INSURANCE COMPANIES

	In Tennessee	Total Everywhere	Ratio
1. Direct Premiums (Divide direct premiums in Tennessee by direct premiums everywhere; transfer ratio to Schedule F, Line 5 and Schedule J, Line 26)			%



**TENNESSEE DEPARTMENT OF REVENUE
INDUSTRIAL MACHINERY TAX CREDIT**

TAXABLE YEAR	TAXPAYER NAME	ACCOUNT NO./FEIN/SSN
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The excise tax may be reduced by a credit on industrial machinery purchased during the tax period covered by the return and located in Tennessee. The credit is computed at 1% of the purchase price of qualified industrial machinery. The credit taken on any return cannot exceed 50% of the current year's excise tax liability, but any unused credit may be carried forward 15 years under T.C.A. Section 67-4-2009(4).

SCHEDULE T (FORM FAE 170) - SCHEDULE OF INDUSTRIAL MACHINERY

PART 1 TAX CREDIT COMPUTATION

1. Purchase price of machinery	(1)	_____
2. Percentage allowed	(2)	1%
3. Original credit (Line 1 multiplied by Line 2)	(3)	_____
4. Credit available from prior year(s) (From Schedule V)	(4)	_____
5. Total credit available (Add lines 3 and 4)	(5)	_____
6. Excise Tax liability before any credits (From Schedule B, Line 5)	(6)	_____
7. Limitation on Credit (50% of line 6)	(7)	_____
8. Franchise and Excise Tax liability before any credits (From Schedule A, Line 3 plus Schedule B, Line 5)	(8)	_____
9. Credits from Schedule D, Lines 1 through 4	(9)	_____
10. Tax before Industrial Machinery Credit (Line 8 less Line 9)	(10)	_____
11. Amount available in Current Year (Least of Lines 5, 7, or 10; transfer to Schedule D, Line 5)	(11)	_____

PART 2 RECAPTURE OF EXCISE TAX CREDIT

In the event that any industrial machinery is sold or removed and credit has been taken against excise tax, the following formula is to be used to recapture the excise tax credit taken for each item of machinery:

Credit taken on purchase of machinery X percentage of useful life remaining at time of sale or removal = Amount of credit to be recaptured.

Total amount of recapture to be used to increase excise tax liability (Transfer to Schedule B, Line 6) \$ _____

SCHEDULE U and V - LOSS CARRYOVER/INDUSTRIAL MACHINERY CREDIT CARRYOVER

NOTE: SCHEDULES U AND V ARE NOT REQUIRED TO BE FILED WITH THE RETURN. These schedules may be used as a worksheet to compute the amount of net operating loss carryover and \ or excise tax credit carryover available.

IMPORTANT INFORMATION APPLICABLE TO LOSS CARRYOVER

1. Any net operating loss incurred for fiscal years ended on or after 3-15-82 and prior to 1-15-84 may be carried forward seven (7) years as a net operating loss carryover.
2. Any net operating loss incurred for fiscal years ending on or after 1-15-84 may be carried forward fifteen (15) years as a net operating loss carryover.
3. **COMBINED RETURN - UNITARY GROUP OF FINANCIAL INSTITUTIONS:**
Any net operating loss incurred by a member of the unitary group which has been apportioned to Tennessee in a year prior to filing a combined return may be carried forward seven (7) years as a net operating loss carryover by the unitary group. A net operating loss incurred by a unitary group of financial institutions computed on a combined basis may be carried forward fifteen (15) years by the unitary group.
Reference: Section 67-4-2006(c), Tennessee Code Annotated.

SCHEDULE U - SCHEDULE OF LOSS CARRYOVER

Year	Period Ended (mm/YY)	For Original Return or As Amended	Used In Prior Year(s)	Expired	Loss Carryover Available
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
Total Amount (Transfer to Schedule J, Line 29)					

SCHEDULE V - SCHEDULE OF INDUSTRIAL MACHINERY CREDIT CARRYOVER

IMPORTANT INFORMATION APPLICABLE TO INDUSTRIAL MACHINERY CREDIT CARRYOVERS

Any unused credit incurred for fiscal years ending on or after 3-15-82 may be carried forward in any tax period for up to fifteen (15) years.
Reference: Section 67-4-2009(4)(c), Tennessee Code Annotated.

Year	Period Ended (mm/YY)	For Original Return or As Amended	Used In Prior Year(s)	Expired	Industrial Machinery Credit Carryover Available
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
Total Amount (Transfer to Schedule T, Line 4)					